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FRITO-LAY

Frito-Lay, Inc.

ANNUAL REPORT

FOR THE YEAR ENDED AUGUST 25, 1962

Frito-Lay, Inc.

DIRECTORS

*JOHN D. WILLIAMSON
Chairman of the Board, Frito-Lay, Inc.

*CHAS. E. BEARD
President, Braniff Airways, Inc.

FRED W. CATTERALL, JR.
Vice President for Austex Foods Div., Frito-Lay, Inc.

R. V. DANCEY
Investments

JACK JOHANNES
Attorney at Law

*M. E. KILPATRICK
Attorney, Smith, Kilpatrick, Cody, Rogers & McClatchey

*HERMAN W. LAY
Chairman of the Executive Committee and Chief Executive Officer, Frito-Lay, Inc.

*WILLIAM B. OLIVER
Executive Vice President, Frito-Lay, Inc.

C. B. PETERSON, JR.
Executive Vice President, Republic National Bank

H. H. ROUSSEAU
Investments

*FLADGER F. TANNERY
President, Frito-Lay, Inc.

LAWRENCE WILLET
Insurance

GEORGE WILLIAMSON
Administrative Vice President, Frito-Lay, Inc.

Members of the Executive Committee

OFFICERS

JOHN D. WILLIAMSON
Chairman of the Board

HERMAN W. LAY
Chairman of the Executive Committee and Chief Executive Officer

FLADGER F. TANNERY
President

WILLIAM B. OLIVER
Executive Vice President

ARCH C. WEST
Vice President-Marketing

W. E. FREEMAN
Vice President-Manufacturing

GEORGE WILLIAMSON
Administrative Vice President

LYMON M. HALL
Vice President for Sales

JOHN R. McCARTY
Vice President for Advertising

JACK L. KELLEY
Vice President for Operations, Mid-Western Zone

HAROLD R. LILLEY
Vice President for Operations, Southeastern Zone

GEORGE H. HUTCHINGS, JR.
Vice President for Operations, Western Zone

W. LAMAR LOVVORN
Secretary and Controller

GEORGE P. PARKER
Treasurer

DIVISIONAL VICE PRESIDENTS

WILLIAM E. AMMERMAN
Mid-Atlantic Division

W. DAN BRYANT
Southern Division

FRED W. CATTERALL, JR.
Austex Foods Division

WILLIAM T. CROW, JR.
Northwestern Division

W. R. DODD
Southeastern Division

C. GEORGE EDMONDS
Central Division

GEORGE J. GHESQUIERE
Western Division

RUSSELL C. MILLER
Mid-Central Division

R. O. REHKOPF
Mid-Western Division

HARRY M. TUNSTALL
Southwestern Division

R. L. WILLIS, JR.
Eastern Division

JOSEPH C. WILSON
North Central Division

SUBSIDIARIES AND AFFILIATES

The Frito Company of Canada, Limited, Ontario, Canada
Joseph D. Burke, Vice President

Rold Gold Foods, Inc., St. Louis, Missouri
Joseph Matthews, Jr., President

Heinz Flessner K. G., Frankfurt, West Germany
Heinz Flessner, Managing Partner

Crimpy Crisps Limited, London, England
David A. Sword, Managing Director

OVERSEAS REPRESENTATIVES

R. T. Grant Company, Japan
M. E. Rayfield Company, West Germany
Overseas Service Corporation, Washington, D. C.
C. Lloyd Johnson Company, New York
R. E. Lasday Company, New Orleans
Brewster, Leeds & Company, Inc., New York

EXECUTIVE OFFICES: Exchange Bank Building, 100 Exchange Park North, Dallas 35, Texas
AUDITORS: Arthur Young & Company, Dallas, Texas
GENERAL COUNSEL: Smith, Kilpatrick, Cody, Rogers & McClatchey, Atlanta, Georgia
TRANSFER AGENTS: Texas Bank & Trust Co., Dallas, Texas and Trust Company of Georgia, Atlanta, Georgia

The information contained herewith is not given in connection with any sale or offer of, or solicitation of any offer to buy, any securities.

SUMMARY OF PROGRESS

	1962	1961	1960
Net sales	$146,632,364	$127,447,421	$123,737,185
Income before taxes	11,369,313	10,004,718	8,404,884
Taxes on income	5,964,149	5,325,787	4,327,742
Net income	5,405,164	4,678,931	4,077,142
Earnings per common share (4,197,773 shares)			
Before taxes	2.71	2.38	2.00
Provision for income tax	1.42	1.27	1.03
Net	1.29	1.11	.97
Cash dividends	2,094,517	1,441,509	1,278,464
Shareholders' equity	30,087,331	26,654,397	21,998,586
Book value per share	7.17	6.35	5.24
Net working capital	11,913,230	11,254,527	5,695,302
Current ratio	2.15	2.05	1.49
Property, plant and equipment			
Cost	39,470,826	35,662,391	30,249,694
Accumulated depreciation	15,109,295	12,895,635	11,099,820
Net	24,361,531	22,766,756	19,149,874
Depreciation	3,038,909	2,886,477	2,481,325
Total assets	49,114,415	46,893,465	38,031,887

The above summary includes for all years the accounts of companies which have joined Frito-Lay, Inc. by means of "pooling of interests". The accounts of companies acquired otherwise are included from dates of acquisition.

to the Shareholders:

FRITO-LAY, INC. COMPLETED ITS FIRST FISCAL YEAR AUGUST 25, 1962 under the guidance of the present executive group established just a year ago following the merger of The Frito Company and H. W. Lay & Company, Inc. During this period, significant accomplishments were achieved in molding the operations into a well-balanced and smoothly-operated organization. Necessary functional re-alignments together with the necessary shifting of personnel, both as to assignments and family locations, were not accomplished without expense and inconvenience. The management of Frito-Lay is extremely proud of the present organization and truly appreciates the splendid spirit of teamwork and the patience exhibited by all employees making these adjustments. Even with these abnormal conditions, sales and earnings were above those of previous years. It is therefore gratifying to have an opportunity to tell about some of the accomplishments of this record year.

A new corporate symbol (shown at the beginning of each section of this report) was designed during the year. This attractive symbol will serve to help identify Frito-Lay products, labels and facilities for consumers, retail customers, suppliers, shareholders, and other corporate friends.

FINANCIAL SUMMARY

The financial results of the 1962 fiscal year established a new record for earnings. These earnings represent $1.29 per share for 1962, compared to $1.11 per share for last year, an increase of 16%, based on 4,197,773 shares outstanding on August 25, 1962. Cash dividends paid during the year, at the rate of 50c per share, totaled $2,094,517.

The working capital position of the Company at year end was very good as current assets exceeded current liabilities by $11,913,230. This current ratio of more than 2 to 1 is considered very satisfactory. The shareholders' equity after payment of dividends increased from $26,654,397 to $30,087,331 at the end of the year. More detail concerning these figures is shown in the Balance Sheet and the Consolidated Statement of Income and Retained Earnings on pages 10 and 11.

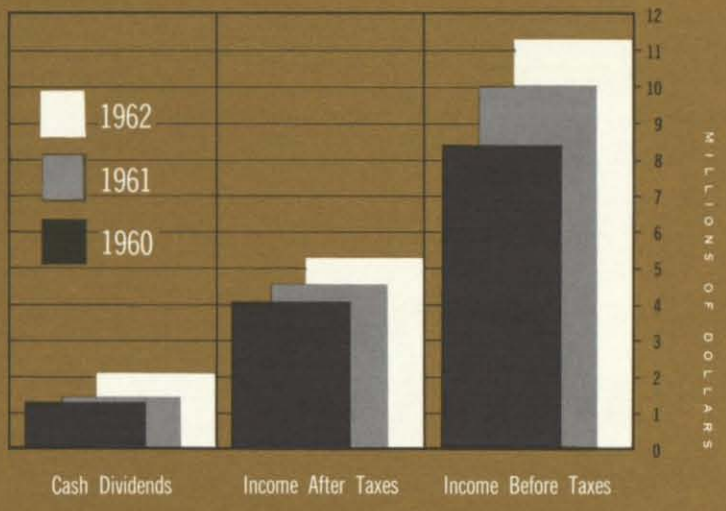
MARKETING

Sales for the year reached an all-time high with a total of $146,632,364. This amount represents a 15% increase over sales of $127,447,421 shown in the last Annual Report for all companies combined as of August, 1961. The sales territories were, of necessity, re-aligned in many instances to establish more efficient and economical operations. The marketing policies of the Company continued to be aggressive in method and sensitive in application to consumer demand. Advertising and promotional programs for FRITOS corn chips were built around daytime network television; these programs were most effective in reaching national audiences of consumers. Advertising and promotional programs for potato chips and other Company products were adapted by brand name to specific regional market areas. The Company will continue its efforts to broaden the distribution of its strong brands of potato chips.

Significant marketing developments during the year included the introduction of the round shaped FRITOS corn chip. This round FRITOS corn chip has the same flavor and is made of the same high quality ingredients that have made FRITOS corn chips, of all shapes, famous and in great demand throughout the nation.

The Company started a transition program to establish one brand (CHEE·TOS) for

INCOME AND CASH DIVIDENDS



SALES GROWTH

The above summaries include for all years the accounts of companies which have joined Frito-Lay, Inc. by means of "pooling of interests". The accounts of companies acquired otherwise are included from dates of acquisition.

all of its cheese coated corn puffs which were being sold under different brand names in various regional markets. Also, a program for converting the several brands of pretzels distributed by the Company into one national brand (ROLD GOLD) made good progress during the year. Additional programs are under way to adopt BAKEN-ETS as the Company's national brand name for fried pork rind snacks and to establish national brands for nut meats, popcorn and other products.

During fiscal 1962, the various products manufactured both by Frito and Austex canning divisions were closely analyzed and the slow-moving items were discontinued. The labels of all canned food items were reviewed and, in some instances, redesigned. The marketing activities and the promotional and advertising programs both for FRITOS and AUSTEX brands of canned foods and for the LAY'S brand potato sticks were integrated into a single program that is expected to broaden the distribution and increase the sales of all of these products.

FACILITY IMPROVEMENTS

Expenditures for new and improved facilities during the year amounted to $5,050,000 as compared with $7,187,000 for the previous fiscal year. These expenditures were made from funds created through retained earnings and depreciation; hence no new stock was sold and no new long term debts were incurred to acquire these facilities.

The largest facility improvement program occurred in Fall River, Massachusetts. This plant which serves the Company's Eastern Division was modernized and expanded to provide improved employee facilities and better conditions for handling and storing both raw materials and finished products, as well as to increase operating efficiencies by means of rearrangement of production equipment. Machinery for the manufacture of FRITOS corn chips and CHEE·TOS corn puffs was installed. When this Fall River program, including a railroad spur, is completed in the early part of fiscal 1963, the plant will be one of the Company's most

POTATO CHIP PROCESSING PLANT AT LOUISVILLE, KENTUCKY

modern facilities with building space sufficient for the installation of additional production lines for both corn and potato chips.

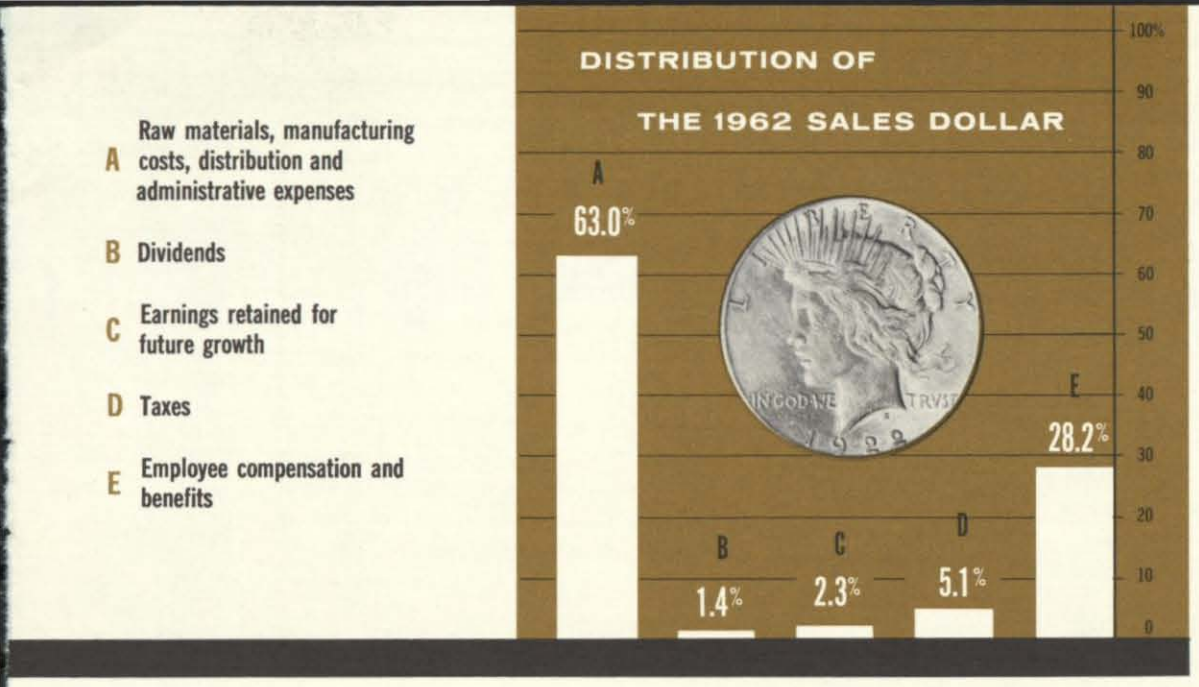
During the year, the Seattle plant was converted into a FRITOS corn chip operation, and the Portland, Oregon plant was rearranged to produce the potato chip volume previously manufactured in Seattle. FRITOS corn chip facilities were expanded in Council Bluffs, Iowa, Washington, D. C. and Lubbock, Texas. New potato chip processing plants were completed in Denver, Colorado and Louisville, Kentucky, and the capacity of the Memphis, Tennessee potato chip plant was enlarged. Also, additional land was acquired in Council Bluffs, Iowa, and initial work started to increase further the size of this facility. Work was under way at the end of the fiscal year to enlarge and improve the warehousing space at the Madison, Wisconsin plant.

OPERATIONS OUTSIDE UNITED STATES

A few years ago the Company organized its Canadian division, a wholly-owned subsidiary. This division has progressed very satisfactorily, even in the face of a depressed Canadian economy that has prevailed the past two years and the problems inherent in starting an operation. A native of Canada, with considerable experience in the potato chip markets of that area, was employed during the year as vice president and general manager of this subsidiary. Management firmly believes this division will progress more rapidly in the next few years.

The Company expanded its operations into West Germany and Puerto Rico through the merger of H. W. Lay & Company last year. It owns a part of a West German business which is managed by the co-owner, a citizen of that country with much experience in the potato chip industry. This operation presently has three plants—one near Frankfurt, another just outside of Munich, and the third near the town of Hamburg. The operation in Puerto Rico is a distributorship supplied with products manufactured by Frito-Lay plants in the southeastern United States.

In the spring of 1962, negotiations were completed to acquire a majority interest in Crimpy Crisps Limited, a potato chip company in England. The minority interest is owned by the managing director (son of the founder) and the general sales manager of this company. Both of these men are natives of England and have had years of experience in the manufacture and sale of potato chips. This company has two plants, one located in the suburbs of London, and the other just north of Glasgow, Scotland. At the close of the 1962 fiscal year, FRITOS corn chip machinery was in transit to England for installation in the London plant, and marketing



and advertising plans were being completed to introduce FRITOS corn chips in England in the fall of 1962.

All of the operations outside of the United States are in their infancy, so to speak, and at present are making very little profit. They, however, do represent operations which management feels will be more profitable in the foreseeable future and will provide a basis for further expansion of Frito-Lay, Inc. outside the continental United States.

RESEARCH

Frito-Lay management believes in and is committed to an active program for product and process research. The several research organizations have been combined and located in Dallas. This organization is headed by an experienced research director who has the support and constant guidance of a Research and Development Committee made up of Company executives. The research functions in Frito-Lay are divided into three general programs of endeavor:

Creation of new products and the related testing programs represent a large portion of the Company's total research effort. Research for new products is designed to keep the operations of the Company geared to ever-changing consumer preferences for food products. Significant strides are being made by the Company in this area of research, and it is hoped that in the near future products of some of these studies will be evident in the retail market places.

Development and improvement of raw materials is pursued through agricultural research, genetic breeding programs, and basic scientific investigation, conducted both by Company personnel and by independent laboratories and educational institutions. Most of the Company's work in this area is done at its experimental farms in Wisconsin and Alabama.

Product and process improvement programs are designed to upgrade the quality of existing products and to increase production efficiencies by means of improved and new processes.

ORGANIZATION

When the fiscal year began in late August of 1961, programs were commenced immediately to re-group all of the operations of the several companies. The sales activities of the Company fall logically into two general groups: namely, driver-salesman form of truck-to-store distribution and warehouse distribution through independent food brokers. The driver-salesman operations were divided into eleven geographical divisions in the continental United States and one in Canada. These divisions, in turn, have been grouped into zones for general management purposes. Each such division is headed

by a vice president who is responsible to a zone vice president. These operating divisions are profit centers for managerial control purposes. Listed below, by zones, are the divisions and their headquarters' locations:

SOUTHEASTERN ZONE	
Southeastern Division	Atlanta, Georgia
Southern Division	Jacksonville, Florida
Mid-Atlantic Division	Brentwood, Maryland
NORTHEASTERN ZONE	
Mid-Central Division	Detroit, Michigan
Eastern Division	North Brunswick, N. J.
Canadian Division	Toronto, Ontario
MID-WESTERN ZONE	
Southwestern Division	Dallas, Texas
Mid-Western Division	Council Bluffs, Iowa
Central Division	Chicago, Illinois
North Central Division	Madison, Wisconsin
WESTERN ZONE	
Northwestern Division	San Francisco, California
Western Division	Los Angeles, California

The Company's canned food operations were combined into a brokerage type organization, known as the Austex Foods Division. The manufacturing operations for canned foods, conducted by the Company prior to the Austex acquisition, were transferred from Dallas and Seguin, Texas, to the Austex plants at Austin, Texas and Conyers, Georgia, and the respective sales organizations were brought together under one sales management. This division is directed by a vice president.

All of the Company's pretzel operations were consolidated during the year into a wholly-owned subsidiary, Rold Gold Foods, Inc., with headquarters in St. Louis, Missouri. This subsidiary has capable management with many years of experience in the manufacture and sale of pretzels. With this consolidation, greater operating efficiencies and increased earnings are expected from pretzel sales. The capacity of the Rold Gold plant in Los Angeles was increased materially early in the year in order to take care of the growing demand for pretzels and poultry dressings in the Pacific Coast and Rocky Mountain areas.

During the year, The Texas Vegetable Oil Company, a wholly-owned subsidiary acquired in 1953, was dissolved. This refinery has been closed and the machinery is now being dismantled and sold. Recent studies proved to management the wisdom of securing current oil requirements from outside suppliers. It is believed that the land and equipment can be liquidated at a very favorable price.

The Instant Potato operation in Rogers City, Michigan was also closed. This plant and production facilities will be sold as soon as possible. Management concluded that the instant mashed potato is not a product that can be distributed effectively and economically either through the Company's driver-salesman organization or through its present brokerage arrangements.

Near the close of the year several changes were made in executive management. The Board of Directors appointed an Executive Committee of its members to which it delegated specific functions and responsibilities. Mr. Herman W. Lay was named Chairman of this committee and Chief Executive Officer of the Company. Mr. John D. Williamson, who had been Chairman of the Board and Chief Executive Officer, was renamed Chairman of the Board; Mr. Fladger F. Tannery was named President; and Mr. William B. Oliver was named Executive Vice President. Each of these men is also a member of the Executive Committee. Others named to the Executive Committee were two members of the Board who are not Company employees: namely, Mr. Chas. E. Beard, President of Braniff Airways, Inc., and Mr. M. E. Kilpatrick of Smith, Kilpatrick, Cody, Rogers & McClatchey, the Company's general counsel.

Mr. R. V. Dancey, Senior Vice President, and Mr. Jack Johannes, Vice President and General Counsel, resigned as officers of the Company and announced their early retirements; both men continued their memberships on the Board of Directors of the Company. Mr. Dancey is the co-founder of the former Nicolay-Dancey Company, which was combined with The Frito Company in 1958. He has been a

very effective member of management and is highly regarded throughout the potato chip industry. Mr. Jack Johannes' first connection with The Frito Company began in 1933. He served the Company for many years as legal counsel and is well-known for his contributions to its early organization. Both of these men have served long and faithfully and certainly are deserving of the early retirement which they have chosen. Their many friends at Frito-Lay wish them continuous success and many years of health and happiness.

Management believes that functional realignments, organizational changes, and product and territorial expansions are normal and expected of an aggressive and rapidly growing company such as Frito-Lay. Management also believes these are prudent steps; that they are necessary to keep the Company's operations geared to the national economy and that they are made in the best interest of customers, employees, shareholders, and the general public. The Federal Trade Commission has made inquiries concerning a number of these changes as it has done in connection with similar activities of other companies operating on a national scale. No other action has been taken, and in the opinion of management and its legal counsel none of these activities were in violation of either state or federal statutes. The Company is cooperating fully with the Commission and will continue to do so with all governmental agencies.

EMPLOYEE RELATIONS

One of the real strengths of Frito-Lay is its more than 7,500 loyal employees. It has been a long-established policy of the Company to provide safe, pleasant and efficient working conditions to the greatest extent possible; to maintain a compensation program that is as good or better than that of similar companies; and to provide and share in the cost of benefit programs for the well-being of employees. Several of the companies that joined in making up the present Frito-Lay organization had different employee benefit programs. During the year these programs were combined and, as a result, a number of additional employees became eligible to enjoy the personal protection and satisfaction of retirement, and life, health and accident insurance programs. The management recognizes the public respect and confidence the Company enjoys, and the outstanding consumer acceptance of Frito-Lay products is evidence of the high quality of Frito-Lay personnel. Management is proud of the Company's employees and is grateful for their cooperation and support. Salaries, wages, commissions, and employee benefits paid during the fiscal year 1962 aggregated $41,304,000. This represents 28.2% of the Company's net sales.

OUTLOOK

The management of the Company faces the future, after one year of the merged Frito-Lay operation, with renewed and greater expectations for the Company's continuous growth. The acquisitions and mergers have proven to have been wisely conceived, and, with many of the problems inherent in such consolidations having been solved, renewed efforts will be put forth to expand, intensify and diversify the operations of the Company in its production and distribution of consumable products.

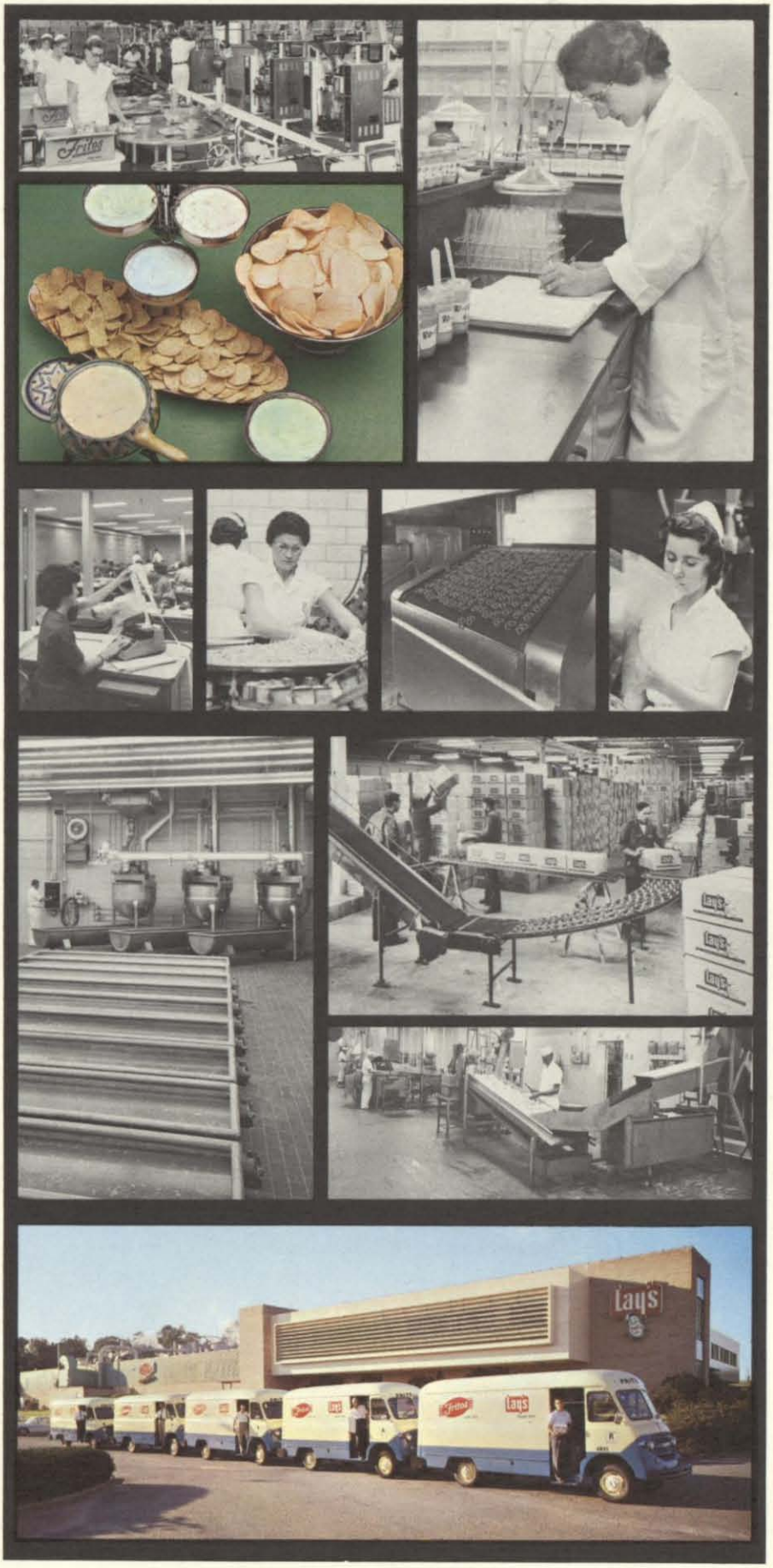
John D. Williamson
CHAIRMAN OF THE BOARD

Herman W. Lay
CHAIRMAN OF THE EXECUTIVE COMMITTEE AND CHIEF EXECUTIVE OFFICER

Kenneth Gilbert
PRESIDENT

November 15, 1962

Fritos
King Size Fritos for Dips
49¢
Regular Style
Truly Crisp and Tender
Golden Chips of Corn
New Round Shape
PRODUCTS OF
FRITO-LAY
Austex
chili
beef tamales
hash
beef stew
gravy beef chunks
brunswick stew
Frito
Barbecued Beef
Bean dip
Chili
Tamales
Rice 'N Spice
Chicken Liver dip
Fritos Corn Chips
Cheetos
Lay's
Potato Sticks
Small fries
Potato chips
Crispie
Barbecue Potato Chips
Ruffles
Lay's
Potato Sticks
Garlic Olive dip
Chili Dubbo dip
Green dip
Onion dip
Bleu dip
Red Dot
Salted Nuts
Spanish Peanuts
Cashews
Royal Nuts
Peanuts
Cheetos
Small fries
Shoestring Potatoes
Bakenets
Fried Pork Rinds
Rold Gold
Pretzel Sticks
Lay's
bakon
Puffs
Red Dot
Popcorn
25¢
Red Dot
Caramel Popcorn
Lay's
Potato Chips
Williams
Potato Chips
Crispie
Potato Chips
Lay's
Tatos
Twin Pack
Potato Chips
Ruffles
Potato Chips
Brooks
Quality
Potato Chips
Drooks
Red Dot
Potato Chips
Adams
Potato Chips
Made Rite
Potato Chips
Crispy Fresh
Kacy Jones
One Pound
Potato Chips
Jupiter
Potato Chips
Truly Digestible
The New Era
Scientifically Processed
Potato Chips
American Gourmet



Some of the Company's principal products are shown on the facing page. On this page and on the inside front cover are a series of photographs showing various Frito-Lay operations.

Frito-Lay, Inc.

CONSOLIDATED BALANCE SHEET

August 25, 1962

ASSETS

Current assets:		
Cash and U. S. Government securities		$ 7,485,025
Receivables, less $133,985 allowance for losses and discounts		6,834,965
Inventories, at lower of cost (first-in, first-out or average basis) or market:		
Finished goods	$ 4,138,267	
Raw materials, supplies and other	3,430,524	7,568,791
Prepaid expenses		402,672
Total current assets		22,291,453
Property, plant and equipment, at cost (Note 2)	39,470,826	
Less accumulated depreciation	15,109,295	24,361,531
Trademarks, patents, formulas, etc.		1
Deferred charges and other assets		2,461,430
		$49,114,415

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued liabilities		$6,222,768
Federal income tax		4,008,487
Long-term debt due within one year		146,968
Total current liabilities		10,378,223
Long-term debt due after one year (Note 3)		7,495,064
Deferred federal income tax		1,153,797
Shareholders' equity:		
Common stock, $2.50 par value; 5,000,000 shares authorized, 4,197,773 shares outstanding (Note 4)	$10,494,432	
Capital in excess of par value (Note 4)	76,765	
Retained earnings (Note 3)	19,516,134	30,087,331
		$49,114,415

See accompanying notes.

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

52 weeks ended August 25, 1962

Net sales	$146,632,364
Cost of goods sold, selling and administrative expenses (exclusive of depreciation and interest)	131,747,086
Depreciation	3,038,909
Interest expense	477,056
	135,263,051
Income before federal income tax	11,369,313
Provision for federal income tax (includes $332,957 deferred tax)	5,964,149
Net income	5,405,164
Retained earnings at beginning of year	16,205,487
	21,610,651
Cash dividends, $0.50 per share	2,094,517
Retained earnings at end of year (Note 3)	$ 19,516,134

See accompanying notes.

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors, Frito-Lay, Inc.:

We have examined the consolidated balance sheet of Frito-Lay, Inc. and subsidiaries at August 25, 1962 and the related consolidated statement of income and retained earnings for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the statements mentioned above present fairly the consolidated financial position of Frito-Lay, Inc. and subsidiaries at August 25, 1962 and the consolidated results of their operations for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Dallas, Texas
November 5, 1962

ARTHUR YOUNG & COMPANY

NOTES TO FINANCIAL STATEMENTS

1. PRINCIPLES OF CONSOLIDATION

The financial statements include the accounts of the domestic and Canadian subsidiaries and include for the entire period the accounts of H. W. Lay & Company, Inc. and subsidiaries, which was merged with the Company in a pooling of interests on September 22, 1961.

2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at August 25, 1962:

	Cost	Accumulated Depreciation
Land	$ 1,938,968	$ —
Buildings	10,616,679	2,204,867
Machinery and Sundry Equipment	20,615,118	9,016,481
Transportation Equipment	6,300,061	3,887,947
	$39,470,826	$15,109,295

3. LONG-TERM DEBT AND DIVIDEND RESTRICTIONS

Long-term debt consisted of the following at August 25, 1962:

5½% unsecured promissory note due March 1st of each year; $150,000 in 1965 and 1966 and $380,000 in 1967 through 1981	$6,000,000
5½% mortgage note payable, secured by real property, due $37,500 annually on October 15th through 1981	750,000
5½% first mortgage note, due $33,000 annually on November 15th through 1969, with balance due November 15, 1970	301,000
Various installment notes	591,032
	7,642,032
Less long-term debt due within one year	146,968
	$7,495,064

The provisions of the loan agreement relating to the $6,000,000 unsecured promissory note place certain restrictions on the payment of cash dividends. At August 25, 1962, $5,978,746 of retained earnings was free of the most restrictive of these provisions.

4. STOCK OPTIONS

At August 25, 1962, officers and key employees held options to purchase 317,451 shares of common stock at prices ranging from $4.62 to $38.00 per share. Of this total, options on 231,220 shares were exercisable at that date; the balance becomes exercisable on varying dates through 1967. During the year ended August 25, 1962, options were exercised on 18,209 shares at prices from $4.62 to $17.72 with the excess of net proceeds over par value ($76,765) added to capital in excess of par and options as to 2,002 shares were canceled. A stock option plan which was adopted in 1957 expired September 11, 1962. No options were granted under this plan for the period August 26, 1961 to expiration. No charge has been made against income in accounting for stock options.

THE EXECUTIVE COMMITTEE

Members of this committee, as pictures are shown, are: Herman W. Lay, Chairman, Chas. E. Beard, M. E. Kilpatrick, William B. Oliver, Fladger F. Tannery, John D. Williamson.

FRITO·LAY